GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:4928
ANSWERED ON:31.03.2017
Financial Help to States
Ajmal Shri Sirajuddin

Will the Minister of FINANCE be pleased to state:

(a) Whether the State Government of Assam has recently requested the Union Government for immediate financial help as the State is under great financial stress; and

(b) if so, the details thereof and the action taken by the Government thereon?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI ARJUN RAM MEGHWAL)

(a) & (b) Yes, Sir. State Government of Assam has recently written to Central Government raising the issues of reduction in devolution of Central taxes vis-Ã -vis 14th Finance Commission (FFC) allocation, unrealistic estimation of Revenue Deficit Grants by FFC, pending release under Accelerated Irrigation Benefit Programme (AIBP), financial assistance for investment in Infrastructure and Service Sector, grant for completion of projects under Special Plan Assistance (SPA), continuation of grant-loan ratio of 90:10 under Externally Aided Projects (EAPs) and Royalty on Crude Oil.
The States' share in Central taxes releases/provided in the Union budget documents are on the basis of actual collection/Budget estimate of the net revenue receipts of the Central Government. Hence, there exists difference in the Finance Commission projections and actual release/budget estimate in a given financial year.
The FFC has taken a comprehensive approach to the assessment of expenditure needs of the States. While assessing expenditure needs, FFC has taken into consideration the difference among the States in fiscal capacity and expenditure need, including cost disabilities and recommended biggest ever increase of 10% in the share of States in net proceed of shareable pool of Union taxes, from 32% to 42%. FFC has also recommended Revenue Deficit (RD) Grant for 11 States (including Assam for the year 2015-16 and 2016-17). The recommendations of FFC already have been accepted by the Union Government.
The substantial increase in tax devolution and grant-in-aid recommended by FFC is a major step in the process of transferring more resources to the States in the nature of untied funds so that States may make and implement schemes or programmes which are best suited to their local needs and requirements. The State may inter-se prioritise the projects (including those under SPA, AIBP-FMP and infrastructure/ service Sector) for the development of State.
It has been decided to continue with the existing pattern of transfer for EAPs loans for North-Eastern and Himalayan States in the grant- loan ratio of 90:10, i.e. 90% of the loan is repaid by the GOI, and only 10% of the loan repayment liability is borne by the State Governments. Further, an amount of Rs.945.90 crore has been released in the current financial year 2016-17 to the State of Assam for differential royalty on exploration of crude oil in the State during the period 2008-09 to 2013-14.
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